

CITY OF TOMBSTONE, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2022

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF TOMBSTONE, ARIZONA

Table of Contents

Financial Section:

Independent Auditors' Report	1
Management's Discussion and Analysis	7

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20

Fund Financial Statements:

Balance Sheet – Governmental Funds	21
Reconciliation of Total Governmental Fund Balances	
To Net Position of Governmental Activities	22
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses and Changes	
in Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Net Position - Fiduciary Funds	28
Statement of Changes in Net Position - Fiduciary Funds	29

Notes to the Financial Statements	30
---	----

Required Supplemental Information:

Schedule of the Proportionate Share of the Net Pension/OPEB Liability	67
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios	68
Schedule of Pension/OPEB Contributions	70
Notes to Pension/OPEB Plan Schedules	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget	
and Actual – General Fund	76

Supplementary Information:

Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Non-major Governmental Funds	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Court Improvements Fund	83
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Block Grant Fund	84
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Arizona Office of Tourism Grant Fund	85
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Marketing Fund.....	86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Christmas Light Donations Fund	87
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Grant Opportunity Fund.....	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Highway User Fund	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	90

Other Communications From Independent Auditors:

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters	93
Report on Compliance with State Laws and Regulations	95

FINANCIAL SECTION

This page intentionally left blank



Independent Auditors' Report

The Honorable Mayor and
City Council
Tombstone, Arizona

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tombstone, Arizona, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tombstone, Arizona as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Tombstone, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Tombstone, Arizona's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tombstone, Arizona's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Tombstone, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tombstone, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2022, the City implemented the provisions of GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension/OPEB schedules and notes as listed in the table of contents, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tombstone, Arizona's basic financial statements. The combining nonmajor fund financial statements, and nonmajor fund budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, and nonmajor fund budget and actual schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2023 on our consideration of the City of Tombstone, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Tombstone, Arizona's internal control over financial reporting and compliance.

HintonBurdick, PLLC

HintonBurdick, PLLC

Gilbert, Arizona

March 3, 2023

This page intentionally left blank

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

This page intentionally left blank

CITY OF TOMBSTONE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

As management of the City of Tombstone, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns. Please read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position at the close of the fiscal year was \$8.4 million. This amount is comprised of \$5.96 million in net investment in capital assets, \$.62 million of restricted net position and \$1.84 million in unrestricted net position.
- Governmental net position increased by \$1.1 million, and Business-Type net position decreased by \$44,133.
- Total Sales tax revenue increased by 17 percent from last year and still is the single largest revenue in the budget.
- Additions totaling \$564,987 were made to the City's capital assets.
- Total debt service payments, excluding interest expense were \$246,520 and net decreases in the net pension liability and compensated absences totaling approximately \$328,000 leaving approximately \$1.4 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance increased by \$1,023,886 to \$2,214,855. This increase is mainly attributable to an increase in revenues and a smaller increase in expenses from the prior year. The unassigned fund balance represents 79 percent of total General Fund expenditures for the fiscal year.
- Other governmental fund balances increased by \$85,524, to \$151,472, of which \$1,921 is nonspendable, \$151,472 is restricted and (\$1,921) is unrestricted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all or most of the cost of the services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included on pages 22 and 24.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$8.4 million as of June 30, 2022 as shown in the following condensed statement of net position.

City of Tombstone Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Current and other assets	\$ 4,257,524	\$ 3,120,371	\$ (203,623)	\$ (86,363)	\$ 4,053,901	3,034,008
Capital assets (net)	2,820,842	2,674,053	3,659,137	3,567,444	6,479,979	6,241,497
Total assets	7,078,366	5,794,424	3,455,514	3,481,081	10,533,880	9,275,505
Deferred outflows of resources	222,695	262,807	74,295	80,605	296,990	343,412
Long-term liabilities outstanding	664,349	1,214,555	-	603,112	664,349	1,817,667
Other liabilities	499,932	231,583	681,327	173,248	1,181,259	404,831
Total liabilities	1,164,281	1,446,138	681,327	776,360	1,845,608	2,222,498
Deferred inflows of resources	459,074	105,567	106,075	-	565,149	105,567
Net position:						
Invested in capital assets, net of related debt	2,522,135	2,534,195	3,438,079	3,363,068	5,960,214	5,897,263
Restricted	464,653	78,445	153,211	39,710	617,864	118,155
Unrestricted	2,690,918	1,892,886	(848,883)	(617,452)	1,842,035	1,275,434
Total net position (deficit)	\$ 5,677,706	\$ 4,505,526	\$ 2,742,407	\$ 2,785,326	\$ 8,420,113	\$ 7,290,852

The City has \$10.8 million in total assets and deferred outflows, with \$6.5 million in capital assets (net of depreciation). The City's Utility Funds, (Wastewater, Water, and Sanitation) operations are included in the Business-type activities column.

Governmental Activities

The City's governmental programs include: General Government, Public Safety, Highways and Streets, Culture and Recreation, and Health and Welfare. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

City of Tombstone, Arizona
Changes in Net Position

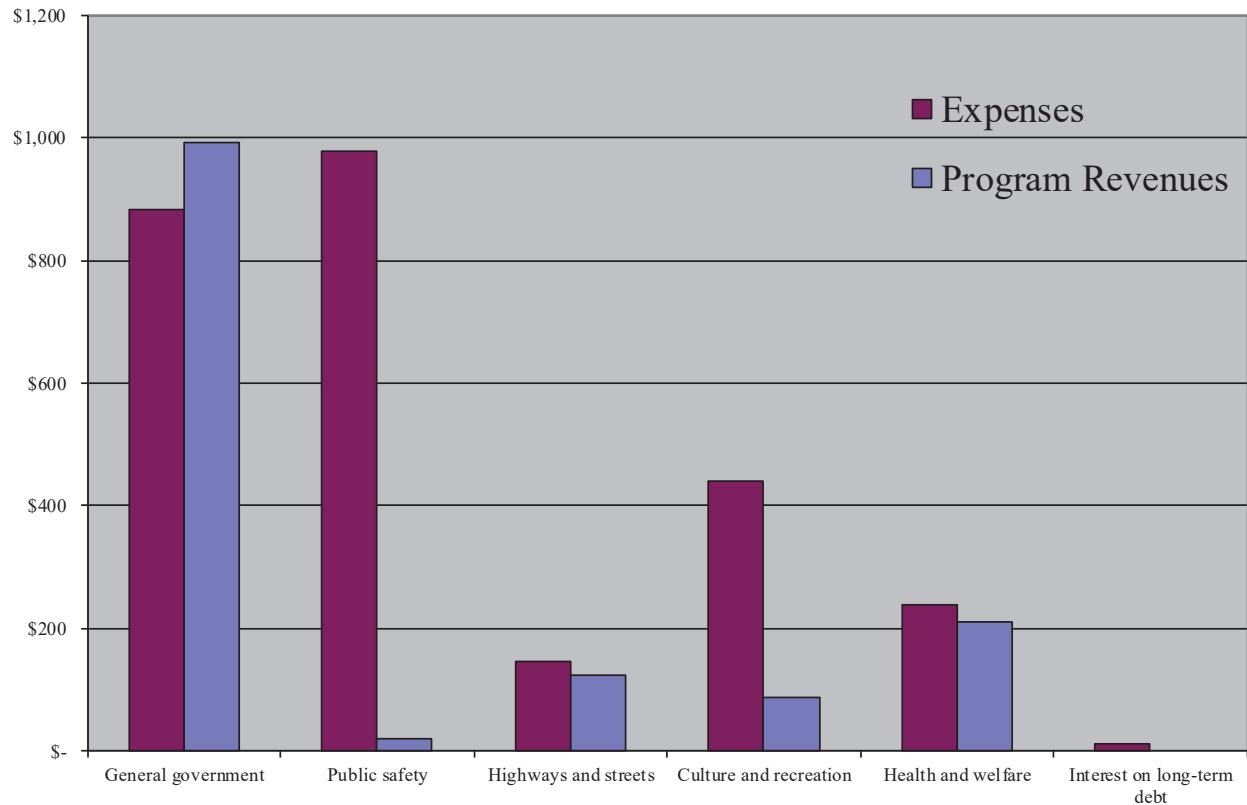
	Governmental activities		Business-type activities		Combined Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenues:						
Program revenues:						
Charges for services	\$ 568,658	\$ 450,409	\$ 1,045,777	\$ 976,448	\$ 1,614,435	\$ 1,426,857
Operating grants and contributions	842,653	612,240	-	-	842,653	612,240
Capital grants and contributions	21,976	526,013	-	-	21,976	526,013
General revenues:						
Sales taxes	1,591,905	1,360,643	-	-	1,591,905	1,360,643
Property taxes	243,197	237,297	-	-	-	-
Other taxes	61,673	56,612	-	-	61,673	56,612
State revenue sharing	463,640	451,210	-	-	463,640	451,210
Other	13,530	20,439	-	137	13,530	20,576
Total revenues	<u>3,807,232</u>	<u>3,714,863</u>	<u>1,045,777</u>	<u>976,585</u>	<u>4,609,812</u>	<u>4,454,151</u>
Expenses:						
General government	884,174	898,631	-	-	884,174	898,631
Public safety	979,560	927,841	-	-	979,560	927,841
Culture and recreation	440,263	347,208	-	-	440,263	347,208
Health and welfare	238,606	116,465	-	-	238,606	116,465
Highways and streets	147,179	236,812	-	-	147,179	236,812
Interest on long-term debt	11,064	12,716	-	-	11,064	12,716
Wastewater	-	-	202,934	255,667	202,934	255,667
Water	-	-	697,445	536,078	697,445	536,078
Sanitation	-	-	189,531	194,044	189,531	194,044
Total expenses	<u>2,700,846</u>	<u>2,539,673</u>	<u>1,089,910</u>	<u>985,789</u>	<u>3,790,756</u>	<u>3,525,462</u>
(Decrease)/Increase in net position before transfers	1,106,386	1,175,190	(44,133)	(9,204)	1,062,253	1,165,986
Transfers	-	(453,176)	-	453,176	-	-
Net position (deficit), beginning	4,505,526	3,783,512	2,785,326	2,341,354	7,290,852	6,124,866
Prior period adjustment	65,794	-	1,214	-	67,008	-
Net position (deficit), ending	<u>\$ 5,677,706</u>	<u>\$ 4,505,526</u>	<u>\$ 2,742,407</u>	<u>\$ 2,785,326</u>	<u>\$ 8,420,113</u>	<u>\$ 7,290,852</u>

The cost of all governmental activities this year was \$3.79 million as shown in the schedule of Changes in Net Position above. \$1.61million of this cost was paid for by those who directly benefited from the programs. \$864,629 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$2.4 million.

Total resources available during the year to finance governmental operations were \$8.3 million consisting of Net position at July 1, 2021 of \$4.5 million, program revenues of \$568,658, grant revenues of \$864,629 and General Revenues of \$2.4 million. Total cost of Governmental Activities during the year were \$2.7 million. Thus Governmental Net Position increased by \$1.1 million to \$5.68 million.

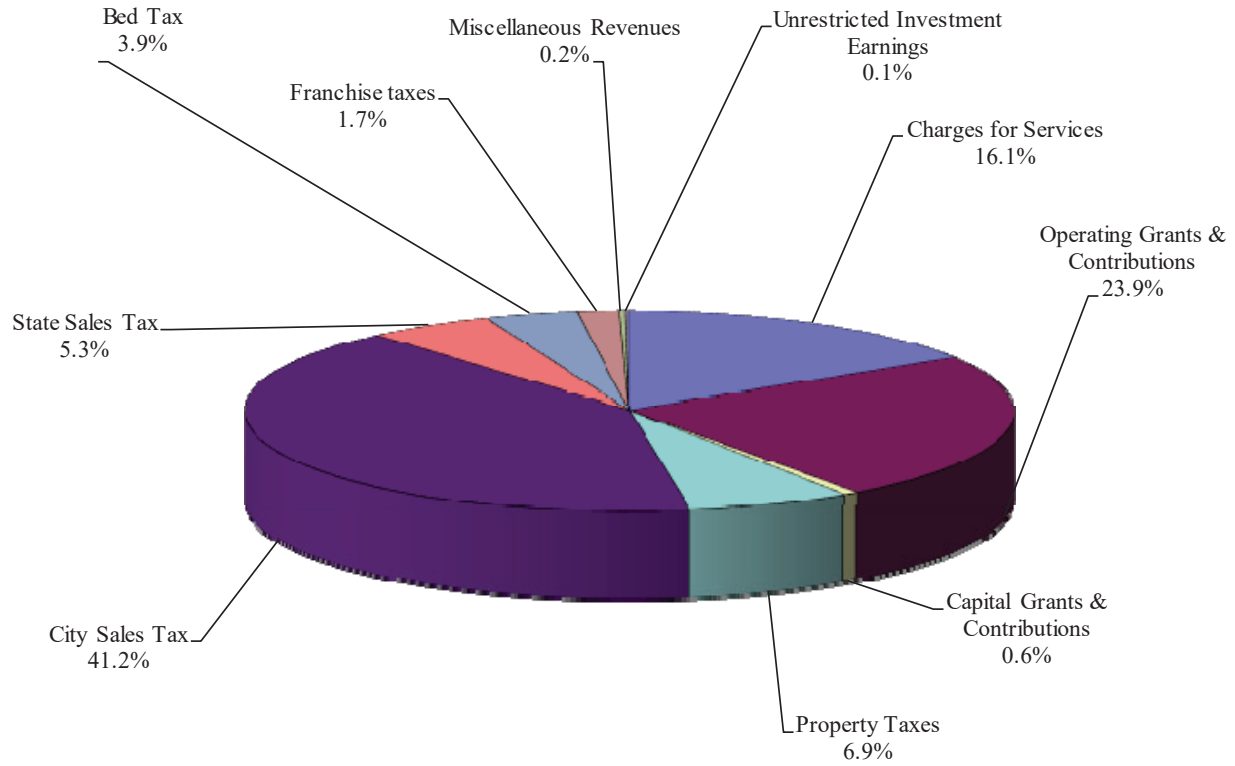
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



This section intentionally left blank.

Revenue By Source - Governmental Activities

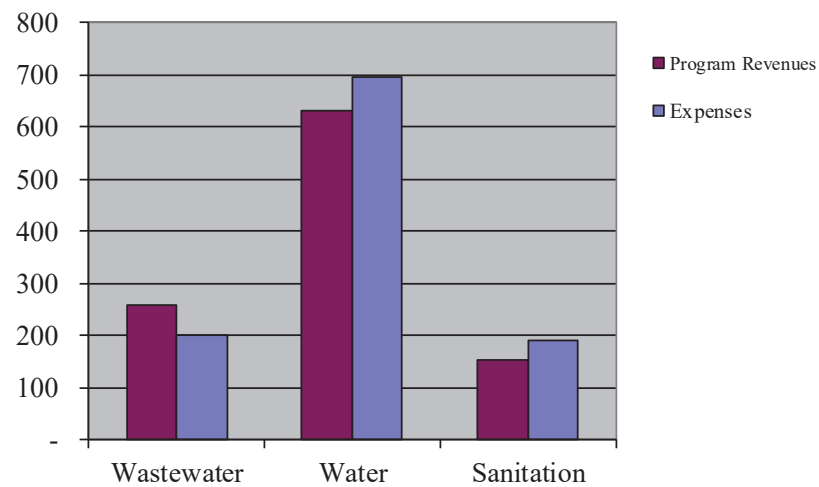


This section intentionally left blank.

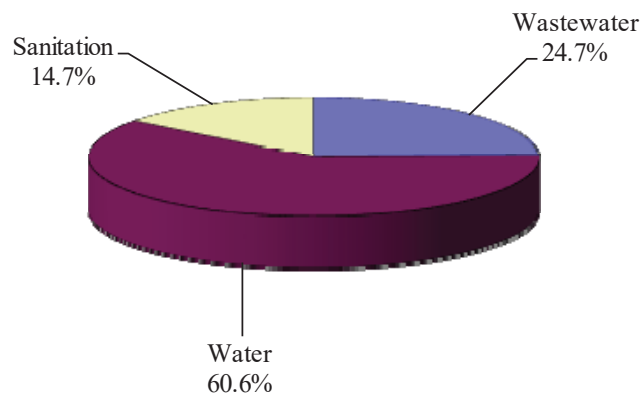
Business Type Activities

Net position of the Business Type activities at June 30, 2022, as reflected in the Statement of Net Position was \$2.74 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.1 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.0 million. Interest earnings and other revenues (losses) were \$0. Net Position decreased by \$44,133.

Expenses and Program Revenues - Business-type Activities
(in Thousands)



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Tombstone uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City of Tombstone's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City of Tombstone's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Tombstone's governmental funds reported combined ending fund balances of \$2.68 million, an increase of \$.67 million in comparison with the prior year. Approximately, 83% of this total amount or \$2.2 million constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted, committed or assigned because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Tombstone. At the end of the current fiscal year, total fund balance in the general fund was \$2.5 million, of which \$2.2 million is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance and total fund balance represents 80% and 91% respectively of total general fund expenditures. During the year, the City of Tombstone's general fund balance increased by \$610,611. This increase is mainly attributable to the increase of grant revenues and sales taxes from the prior year.

The non-major fund balance of \$151,472 consists of grant funds and donations restricted for various purposes.

General Fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$3,483,083 were greater than the budget of \$3,449,692 by \$33,391 mainly due to more than anticipated intergovernmental revenue. Actual expenditures of \$2,774,406 were \$940,353 less than budgeted expenditures of \$3,714,759. The most significant variance relates to less being spent on capital projects than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities and roads. At the end of fiscal year 2022, net capital assets of the governmental activities totaled \$2.8 million and the net capital assets of the business-type activities totaled \$3.7 million. Combined capital assets additions were \$564,987 for fiscal year 2022 consisting of: assorted capital assets for various City departments. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the City had \$873,574 in governmental type debt, and \$501,238 in business-type debt. (See note 7 the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City budget for fiscal year 2022/2023, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2021/2022.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: City of Tombstone, Finance Department, 613 E. Allen Street, Tombstone, AZ 85638. (520) 457-2202.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

CITY OF TOMBSTONE, ARIZONA
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 477,887	\$ 242,175	\$ 720,062
Investments	1,131,118	-	1,131,118
Accounts receivable (net of allowance)	348,232	89,020	437,252
Inventory	58,104	-	58,104
Internal balances	697,875	(697,875)	-
Prepays	20,830	1,469	22,299
Total current assets	2,734,046	(365,211)	2,368,835
Non-current assets:			
Restricted cash and cash equivalents	234,247	151,742	385,989
Capital assets:			
Not being depreciated	367,959	542,062	910,021
Net of accumulated depreciation	2,452,883	3,117,075	5,569,958
Net pension/OPEB asset	1,289,231	9,846	1,299,077
Total non-current assets	4,344,320	3,820,725	8,165,045
Total Assets	7,078,366	3,455,514	10,533,880
Deferred outflows:			
Deferred outflows related to pensions/OPEB	222,695	74,295	296,990
Total deferred outflows	222,695	74,295	296,990
Total assets and deferred outflows of resources	7,301,061	3,529,809	10,830,870
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	290,707	64,872	355,579
Customer deposits	-	112,032	112,032
Accrued interest payable	-	3,184	3,184
Compensated absences - current	38,191	10,801	48,992
Long-term liabilities due within one year	171,034	59,667	230,701
Total current liabilities	499,932	250,556	750,488
Noncurrent liabilities:			
Long-term liabilities due after one year	127,673	171,237	298,910
Net pension/OPEB liability	536,676	259,534	796,210
Total non-current liabilities	664,349	430,771	1,095,120
Total Liabilities	1,164,281	681,327	1,845,608
Deferred inflows:			
Deferred inflows related to pensions/OPEB	459,074	106,075	565,149
Total deferred inflows	459,074	106,075	565,149
Total liabilities and deferred inflows of resources	1,623,355	787,402	2,410,757
NET POSITION:			
Net investment in capital assets	2,522,135	3,438,079	5,960,214
Nonspendable:			
Prepays	20,830	1,469	22,299
Inventory	58,104	-	58,104
Restricted for:			
Debt service	24,433	151,742	176,175
Public Safety	9,427	-	9,427
Culture and recreation	85,275	-	85,275
Other purposes	266,584	-	266,584
Unrestricted	2,690,918	(848,883)	1,842,035
Total net position (deficit)	5,677,706	2,742,407	8,420,113
Total liabilities, deferred inflows of resources and net position	\$ 7,301,061	\$ 3,529,809	\$ 10,830,870

The accompanying notes are an integral part of the financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary Government:						
Governmental activities:						
General government	\$ 884,174	\$ 549,273	\$ 420,956	\$ 21,580	\$ 107,635	\$ -
Public safety	979,560	18,672	1,803	396	(958,689)	-
Highways and streets	147,179	-	124,683	-	(22,496)	-
Culture and recreation	440,263	713	85,749	-	(353,801)	-
Health and welfare	238,606	-	209,462	-	(29,144)	-
Interest on long-term debt	11,064	-	-	-	(11,064)	-
Total governmental activities	2,700,846	568,658	842,653	21,976	(1,267,559)	-
Business-type activities:						
Wastewater	202,934	258,365	-	-	-	55,431
Water	697,445	633,271	-	-	-	(64,174)
Sanitation	189,531	154,141	-	-	-	(35,390)
Total business-type activities	1,089,910	1,045,777	-	-	(44,133)	(44,133)
Total primary government	\$ 3,790,756	\$ 1,614,435	\$ 842,653	\$ 21,976	(1,267,559)	(1,311,692)
General Revenues:						
Property taxes, levied for general purposes					130,265	-
Property taxes, levied for debt service					112,932	-
City sales tax					1,453,857	-
State sales tax					188,082	-
Urban revenue sharing					197,473	-
Vehicle license tax					78,085	-
Bed tax					138,048	-
Franchise taxes					61,673	-
Miscellaneous revenues					8,479	-
Unrestricted investment earnings/(loss)					5,051	-
Total general revenues & transfers					2,373,945	-
Change in net position					1,106,386	(44,133)
Net position (deficit) - beginning					4,505,526	2,785,326
Restatement adjustment					65,794	1,214
Net position (deficit) - ending					\$ 5,677,706	\$ 2,742,407
						\$ 8,420,113

The accompanying notes are an integral part of the financial statements.

CITY OF TOMBSTONE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 318,749	\$ 159,138	\$ 477,887
Cash and cash equivalents - restricted	234,247	-	234,247
Investments	1,131,118	-	1,131,118
Receivables:			
Accounts	121,729	-	121,729
Property taxes	4,197	3,671	7,868
Due from other governments	206,776	11,859	218,635
Due from other funds	697,875	-	697,875
Prepaid items	18,909	1,921	20,830
Inventory	58,104	-	58,104
Total assets	<u>\$ 2,791,704</u>	<u>\$ 176,589</u>	<u>\$ 2,968,293</u>
LIABILITIES			
Accounts payable	\$ 258,464	\$ 24,691	\$ 283,155
Accrued payroll	7,125	426	7,551
Total liabilities	<u>265,589</u>	<u>25,117</u>	<u>290,706</u>
FUND BALANCES			
Nonspendable:			
Prepays	18,909	1,921	20,830
Inventory	58,104	-	58,104
Restricted for:			
Public safety	-	9,427	9,427
Other purposes	234,247	32,337	266,584
Culture and recreation	-	85,275	85,275
Debt service	-	24,433	24,433
Unassigned (deficits)	2,214,855	(1,921)	2,212,934
Total fund balances	<u>2,526,115</u>	<u>151,472</u>	<u>2,677,587</u>
Total liabilities and fund balances	<u>\$ 2,791,704</u>	<u>\$ 176,589</u>	<u>\$ 2,968,293</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOMBSTONE, ARIZONA
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2022

Total governmental fund balances	\$	2,677,587
----------------------------------	----	-----------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$	8,242,912	
Accumulated Depreciation		(5,422,071)	
			2,820,841

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$	(195,329)	
Net pension/OPEB liability		(536,676)	
Compensated absences		(38,191)	
Leases payable		(103,378)	
			(873,574)

Other long term assets are not available to pay for current period expenditures and, therefore, not included in the funds.

Net OPEB asset			1,289,231
----------------	--	--	-----------

Deferred outflows and inflows of resources related to pensions and debt issuance are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows	\$	222,695	
Deferred inflows		(459,074)	
			(236,379)

Total net position (deficit) of governmental activities	\$	5,677,706
---	----	-----------

The accompanying notes are an integral part of the financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,783,843	\$ 112,932	\$ 1,896,775
Licenses, permits and fees	75,020	-	75,020
Intergovernmental revenue	813,395	208,713	1,022,108
Charges for services	465,204	1,947	467,151
Fines and forfeitures	26,116	-	26,116
Investment earnings	5,051	-	5,051
Contributions	305,455	-	305,455
Miscellaneous	8,999	557	9,556
Total revenues	<u>3,483,083</u>	<u>324,149</u>	<u>3,807,232</u>
EXPENDITURES			
General government	911,335	-	911,335
Public safety	940,534	-	940,534
Health and welfare	249,798	-	249,798
Culture and recreation	439,766	-	439,766
Highways and streets	-	188,415	188,415
Capital outlay	173,840	57,905	231,745
Debt service:			
Principal	57,843	135,670	193,513
Interest	1,290	9,774	11,064
Total expenditures	<u>2,774,406</u>	<u>391,764</u>	<u>3,166,170</u>
Excess of revenues over (under) expenditures	<u>708,677</u>	<u>(67,615)</u>	<u>641,062</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the issuance of debt	-	55,073	55,073
Transfers out	(98,066)	-	(98,066)
Transfers in	-	98,066	98,066
Total other financing sources (uses)	<u>(98,066)</u>	<u>153,139</u>	<u>55,073</u>
Net change in fund balances	610,611	85,524	696,135
Fund balances, beginning of year	<u>1,915,504</u>	<u>65,948</u>	<u>1,981,452</u>
Fund balances, end of year	<u>\$ 2,526,115</u>	<u>\$ 151,472</u>	<u>\$ 2,677,587</u>

CITY OF TOMBSTONE, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Governmental Funds
For the Year ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	696,135
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the

statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital Outlay	\$	360,622	
Depreciation Expense		(213,833)	
			146,789

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is recorded as an expenditure, but the repayment reduces long-term liabilities in the statement of net position.

196,224

Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of bond	\$	(55,073)	(55,073)
------------------	----	----------	----------

Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension/OPEB items	\$	127,114	127,114
--------------------	----	---------	---------

Compensated absences and other expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences expense		(4,803)	
------------------------------	--	---------	--

Change in net position of governmental activities	\$	1,106,386
---	----	-----------

CITY OF TOMBSTONE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	Business-type Activities - Enterprise Funds			
	Wastewater	Water	Sanitation	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 242,175	\$ -	\$ 242,175
Receivables (net of allowance)	22,374	54,723	11,923	89,020
Prepaid items	-	1,469	-	1,469
Total Current Assets	22,374	298,367	11,923	332,664
Noncurrent assets:				
Restricted cash and cash equivalents, noncurrent	-	151,742	-	151,742
Capital assets				
Land	-	8,000	-	8,000
Construction in progress	-	534,062	-	534,062
Buildings	517,729	699,031	-	1,216,760
Improvements other than buildings	1,083,210	3,940,807	-	5,024,017
Machinery and equipment	141,552	174,237	-	315,789
Right to use asset	19,459	-	-	19,459
Accumulated depreciation	(895,832)	(2,563,118)	-	(3,458,950)
Net Pension/OPEB Asset	2,525	7,148	173	9,846
Total Noncurrent Assets	868,643	2,951,909	173	3,820,725
Total Assets	891,017	3,250,276	12,096	4,153,389
Deferred outflows				
Deferred outflows related to pensions/OPEB	19,050	53,935	1,310	74,295
Total Deferred outflows	19,050	53,935	1,310	74,295
Total assets and deferred outflows of resources	\$ 910,067	\$ 3,304,211	\$ 13,406	\$ 4,227,684
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities				
Current liabilities:				
Accounts payable	\$ 11,961	\$ 35,560	\$ 15,216	\$ 62,737
Accrued wages and benefits	531	1,527	77	2,135
Accrued liabilities	-	3,184	-	3,184
Due to other funds	163,809	-	534,066	697,875
Customer deposits	-	112,032	-	112,032
Compensated absences - current	2,687	7,722	392	10,801
Current portion - long-term liabilities	12,600	47,067	-	59,667
Total Current Liabilities	191,588	207,092	549,751	948,431
Non-current liabilities:				
Compensated absences	-	-	-	-
Net pension/OPEB liability	66,547	188,414	4,573	259,534
Long-term liabilities, net of current portion	19,317	151,920	-	171,237
Total non-current liabilities	85,864	340,334	4,573	430,771
Total Liabilities	277,452	547,426	554,324	1,379,202
Deferred Inflows				
Deferred inflows related to pensions/OPEB	27,199	77,008	1,868	106,075
Total deferred inflows	27,199	77,008	1,868	106,075
Total liabilities and deferred inflows of resources	304,651	624,434	556,192	1,485,277
NET POSITION:				
Net investment in capital assets	836,726	2,601,180	173	3,438,079
Restricted for debt service	-	151,742	-	151,742
Unrestricted (deficit)	(231,310)	(73,145)	(542,959)	(847,414)
Total net position (deficit)	605,416	2,679,777	(542,786)	2,742,407
Total liabilities, deferred inflows of resources and net position	\$ 910,067	\$ 3,304,211	\$ 13,406	\$ 4,227,684

The accompanying notes are an integral part of the financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds			
	Wastewater	Water	Sanitation	Total
Operating revenues:				
Charges for services	\$ 255,630	\$ 628,221	\$ 154,141	1,037,992
Other revenues	2,735	5,050	-	7,785
Total operating revenues	258,365	633,271	154,141	1,045,777
Operating expenses:				
Salaries, wages and benefits	10,222	352,693	3,051	365,966
Legal and professional	45,899	58,294	9,024	113,217
Supplies	62,862	101,462	688	165,012
Contract services	-	-	175,296	175,296
Repairs and maintenance	3,817	22,540	-	26,357
Utilities	31,872	65,474	-	97,346
Bad debt	866	4,806	783	6,455
Depreciation	40,191	82,870	-	123,061
Miscellaneous	6,685	1,091	689	8,465
Total operating expenses	202,414	689,230	189,531	1,081,175
Net operating income (loss)	55,951	(55,959)	(35,390)	(35,398)
Non-operating revenues (expenses):				
Interest expense and fiscal charges	(520)	(8,215)	-	(8,735)
Total non-operating revenue (expense)	(520)	(8,215)	-	(8,735)
Change in net position	55,431	(64,174)	(35,390)	(44,133)
Total net position (deficit), beginning of year	549,717	2,743,021	(507,412)	2,785,326
Prior period adjustment	268	930	16	1,214
Total net position (deficit), end of year	<u>\$ 605,416</u>	<u>\$ 2,679,777</u>	<u>\$ (542,786)</u>	<u>\$ 2,742,407</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds			
	Wastewater	Water	Sanitation	Total
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 255,842	\$ 653,375	\$ 155,276	\$ 1,064,493
Cash received from customers, other	2,735	5,050	-	7,785
Cash paid to suppliers	(149,851)	(250,215)	(191,818)	(591,884)
Cash paid to employees	(96,868)	(273,933)	(15,497)	(386,298)
Net cash flows from operating activities	11,858	134,277	(52,039)	94,096
Cash flows from noncapital financing activities:				
Change in due to/due from	1,131	-	52,039	53,170
Net cash flows from noncapital financing activities	1,131	-	52,039	53,170
Cash flows from capital and related financing activities:				
Capital lease proceeds	25,608	51,215	-	76,823
Purchase of capital assets	(33,997)	(170,368)	-	(204,365)
Principal paid on long-term debt	(4,080)	(56,604)	-	(60,684)
Interest paid	(520)	(8,215)	-	(8,735)
Net cash flows from capital and related financing activities	(12,989)	(183,972)	-	(196,961)
Net change in cash and cash equivalents	-	(49,695)	-	(49,695)
Cash and cash equivalents, beginning of year	-	443,612	-	443,612
Cash and cash equivalents, end of year	\$ -	\$ 393,917	\$ -	\$ 393,917
Reconciliation of operating income to net cash flows from operating activities:				
Net operating income	\$ 55,951	\$ (55,959)	\$ (35,390)	\$ (35,398)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	40,191	82,870	-	123,061
Net pension/OPEB expense	(87,367)	75,053	(12,779)	(25,093)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	1,078	21,245	1,918	24,241
Increase/(Decrease) in accounts payable	1,284	(1,354)	(6,121)	(6,191)
Increase/(Decrease) in customer deposits	-	8,715	-	8,715
Increase/(Decrease) in accrued payroll and employee benefits	311	3,941	64	4,316
Increase/(Decrease) in compensated absences	410	(234)	269	445
Net cash flows from operating activities	\$ 11,858	\$ 134,277	\$ (52,039)	\$ 94,096

CITY OF TOMBSTONE, ARIZONA
Statement of Net Position
Fiduciary Funds
June 30, 2022

	<u>Pension Trust</u>
ASSETS	
Cash and investments	<u>92,737</u>
Total assets	<u>92,737</u>
LIABILITIES	
Accrued liabilities	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust	<u><u>\$ 92,737</u></u>

CITY OF TOMBSTONE, ARIZONA
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	<u>Pension Trust</u>
Additions:	
Contributions:	
Employer	\$ 3,199
State fire tax	3,340
Plan members	<u>3,199</u>
Total additions	<u>9,738</u>
 Deductions:	
Distributions	<u>4,900</u>
Total deductions	<u>4,900</u>
 Change in net position	<u>4,838</u>
 Net position, beginning of year	<u>87,899</u>
 Net position, end of year	<u><u>\$ 92,737</u></u>

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Tombstone, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The City is a municipal entity governed by an elected mayor and council and provides the following services as authorized by general law: public safety, highways and streets, parks and recreation, planning and zoning, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the City for financial statement presentation purposes, and the City, is not included in any other governmental reporting entity.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

The City reports the following major enterprise funds:

The **Wastewater Fund** accounts for the operations, maintenance, and construction of the City-owned wastewater system.

The **Water Fund** accounts for the operations, maintenance, and construction projects of the City-owned water system.

The **Sanitation Fund** accounts for the operations, maintenance, and construction projects of the City-owned sanitation system.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Property taxes, sales taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and Investments

For the purposes of the statement of cash flows, the City considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents are detailed in note 4.

All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares. Investment earnings is composed of interest, dividends, and net changes in the estimated fair value of applicable investments.

Arizona Revised Statutes (A.R.S) authorize the City to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the City may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements. All trade accounts receivable in the General Fund and proprietary funds are shown net of an allowance for doubtful accounts.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

The allowance for doubtful accounts in the proprietary funds is estimated at 3% of the accounts receivable balance.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed when insignificant. Significant inventories are expensed when consumed. Governmental fund type inventory consists of fuel, and properties held for sale. Inventories for the proprietary funds consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Depreciation for other property, plant, equipment, and infrastructure is computed using the straight-line method over the following estimated useful lives:

Buildings	20 to 40 years
Improvements other than buildings	20 to 40 years
Utility Plants (included in infrastructure)	10 to 50 years
Machinery, equipment, and vehicles	8 to 10 years
Infrastructure	25 years

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has two types of items that qualify for reporting in this category. Pension/OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 9 for more information. The other items are debt related issuance/refunding costs which are deferred and amortized over the life of the underlying liability in the government-wide statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. Pension/OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information. The City also reports a deferral related to the lease receivable on the government-wide and governmental fund statements. See footnote 8 for more information. Another item, which arises only under a modified accrual basis of accounting, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balances classifications. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The council has authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Leases

Lessee: The City is a lessee for a noncancellable lease of land. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$3,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is not currently a lessor for any significant noncancellable leases. If in the future the City does become a lessor, the City will recognize a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes not collected within 60 days subsequent to the fiscal-year end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues. Cochise County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments on October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

The County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater fund, water fund, and sanitation fund are charges to customers for sales and services. The wastewater funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax Abatements

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncement

For the year ended June 30, 2022, the City adopted the provisions of GASB Statement No. 87, *Leases*. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 22.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 24.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the first of September, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 3. Stewardship, Compliance, and Accountability, Continued

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Supplementary budgetary appropriations were not made during the year ended June 30, 2022.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation for future years, is not employed by the City.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2022, if any.

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 720,061
Restricted cash and cash equivalents	385,989
Cash reported in the Fiduciary Funds	92,737
Investments	1,131,118
	<u>\$ 2,329,905</u>

For purposes of its statement of cash flows, the City considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents for the governmental activities included unspent ARPA funding of \$217,588 and amounts restricted for the municipal court of \$16,659. Restricted cash and cash equivalents for the business-type activities included customer deposits of \$112,032 and amounts restricted for debt service of \$39,710.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the City's deposit may not be returned to it. Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover. At year end, the carrying amount of the City's deposits was \$2,329,905 and the bank balance was \$2,429,929. The bank balance was fully covered by FDIC coverage or collateral held by the pledging financial institution in the City's name.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 4. Deposits and Investments, Continued

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. The State Board of Investments provides oversight for the State Treasurer's investment pools. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2022, the carrying amount of the City's deposits and investments are as follows:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (Days) (2)</u>
Deposits:			
Cash on hand	\$ 500	N/A	N/A
Cash in bank	1,198,287	N/A	N/A
Investments:			
Local government investment pool 5	1,131,118	AAA	36.5
	<u>\$ 2,329,905</u>		

* The fair value of the City's position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 4. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Fair value measurements

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's investment pool, as listed above, are valued using quoted prices that are observable for the assets (Level 2 inputs).

Note 5. Restricted Assets

Restricted assets consisted of the following cash reserves at June 30, 2022:

	Governmental Activities	Business-type Activities
Municipal court	\$ 16,659	\$ -
ARPA grant	217,588	-
Customer deposits	-	112,032
Debt service	-	39,710
	<u>\$ 234,247</u>	<u>\$ 151,742</u>

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 4,949	\$ -	\$ -	\$ 4,949
Construction in progress	75,235	287,775	-	363,010
Total capital assets not being depreciated	80,184	287,775	-	367,959
Capital assets being depreciated:				
Buildings and improvements	3,861,263	-	-	3,861,263
Infrastructure	2,058,748	-	-	2,058,748
Machinery, equipment, and vehicles	1,882,095	72,847	-	1,954,942
Total capital assets being depreciated	7,802,106	72,847	-	7,874,953
Less: Accumulated depreciation				
Buildings and improvements	(1,813,113)	(88,254)		(1,901,367)
Infrastructure	(2,017,275)	(5,183)	-	(2,022,458)
Machinery, equipment, and vehicles	(1,377,850)	(120,396)	-	(1,498,246)
Total accumulated depreciation	(5,208,238)	(213,833)	-	(5,422,071)
Total assets being depreciated, net	2,593,868	(140,986)	-	2,452,882
Governmental capital assets, net	\$ 2,674,052	\$ 146,789	\$ -	\$ 2,820,841

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	\$ 72,405
Public safety	96,176
Highways and streets	25,051
Culture and recreation	20,201
Total governmental activities depreciation	\$ 213,833

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 6. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Construction in progress	532,576	1,486	-	534,062
Total capital assets not being depreciated	<u>540,576</u>	<u>1,486</u>	<u>-</u>	<u>542,062</u>
Capital assets being depreciated:				
Buildings and improvements	185,650	-	-	185,650
Infrastructure	5,939,018	116,108	-	6,055,126
Machinery, equipment, and vehicles	229,021	86,771	-	315,792
Right to use asset - Land*	19,459	-	-	19,459
Total capital assets being depreciated	<u>6,373,148</u>	<u>202,879</u>	<u>-</u>	<u>6,576,027</u>
Less: Accumulated depreciation				
Buildings and improvements	(117,682)	(23,486)	-	(141,168)
Infrastructure	(3,036,132)	(78,059)	-	(3,114,191)
Machinery, equipment, and vehicles	(173,007)	(19,636)	-	(192,643)
Right to use asset*	(9,068)	(1,880)	-	(10,948)
Total accumulated depreciation	<u>(3,335,889)</u>	<u>(123,061)</u>	<u>-</u>	<u>(3,458,950)</u>
Total assets being depreciated, net	<u>3,037,259</u>	<u>79,818</u>	<u>-</u>	<u>3,117,077</u>
Business-type capital assets, net	<u>\$ 3,577,835</u>	<u>\$ 81,304</u>	<u>\$ -</u>	<u>\$ 3,659,139</u>

*Restated for implementation of GASB 87 *Leases*

Depreciation expense was charged to the functions/programs of the City as follows:

Business-type activities

Wastewater	\$ 40,191
Water	<u>82,870</u>
Total business-type activities depreciation	<u>\$ 123,061</u>

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the current fiscal year:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Private placement general obligation bonds:					
GO Bonds Series Project of 2013, Series 2014	\$ 300,000	\$ -	\$ (104,671)	\$ 195,329	\$ 100,000
Notes payable*	139,858	55,073	(91,553)	103,378	71,034
Net pension/OPEB liability	741,309	-	(204,633)	536,676	-
Accrued compensated absences	33,388	43,560	(38,757)	38,191	38,191
Total Governmental Activity					
Long-Term Liabilities	<u>\$ 1,214,555</u>	<u>\$ 98,633</u>	<u>\$ (439,614)</u>	<u>\$ 873,574</u>	<u>\$ 209,225</u>
Business-Type Activities:					
Private placement revenue bonds	174,000	-	(32,000)	142,000	33,000
Net pension/OPEB liability	388,380	-	(128,846)	259,534	-
Notes payable*	30,376	76,823	(26,806)	80,393	26,667
Leases payable*	-	10,391	(1,880)	8,511	1,974
Accrued compensated absences	10,356	36,319	(35,874)	10,801	10,801
Total Business-Type Activity					
Long-Term Liabilities	<u>\$ 603,112</u>	<u>\$ 123,533</u>	<u>\$ (225,406)</u>	<u>\$ 501,239</u>	<u>\$ 72,442</u>
Total Long-Term Liabilities	<u><u>\$ 1,817,667</u></u>	<u><u>\$ 222,166</u></u>	<u><u>\$ (665,020)</u></u>	<u><u>\$ 1,374,813</u></u>	<u><u>\$ 281,667</u></u>

*The City implemented GASB 87 -Leases in fiscal year 2022. With the implementation, debt reported as leases payable in fiscal year 2021 are reported as notes payable in fiscal year 2022 (not leases under GASB 87).

Generally, resources from the General fund are used to liquidate pension liabilities and compensated absences for governmental activities.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 7. Long-Term Liabilities, Continued

Long-term liability activity for the primary government at June 30, 2022 is comprised of the following issues:

General obligation bonds from private placements - Governmental-type activities:

General obligation bonds, Series 2014, due in annual principal and interest installments, bearing interest at 2.39%. Maturing in fiscal year 2024.	\$ 195,329
Total general obligation bonds - governmental-type activities	<u>195,329</u>

Revenue bonds from private placements - Business-type activities:

Water revenue bonds, project of 1994, due in annual principal and semi-annual interest installments, bearing interest at 4.5%, maturing in fiscal year 2026.	142,000
Total revenue bonds - business-type activities	<u>142,000</u>

Notes payable:

Governmental activities:

Note payable in monthly installments of \$918 through October 2026, at interest of 2.99%.	43,909
Note payable in monthly installments of \$6,848 through March 2023, at interest of 1.71%.	<u>59,469</u>
Total notes payable - governmental activities	<u>103,378</u>

Business-type activities:

Note payable in monthly installments of \$1,377 through October 2026, at interest of 2.99%.	65,863
Note payable in monthly installments of \$1,469 through March 2023, at interest of 1.71%.	<u>14,530</u>
Total notes payable - business-type activities	<u>80,393</u>

Lease payable

Business-type activities:

Lease payable for the right to use of land, payable in annual installments of \$2,400, matures fiscal year 2026, estimated interest at 5.0%	8,511
Total leases payable - business-type activities	<u>8,511</u>

Accrued compensated absences	48,992
-------------------------------------	--------

Net pension/opeb liability	<u>796,210</u>
-----------------------------------	----------------

Total long-term debt	<u>\$ 1,374,813</u>
-----------------------------	---------------------

Less current portion:

Governmental activities	(209,225)
Business-type activities	<u>(72,442)</u>

Net long-term debt	<u><u>\$ 1,093,146</u></u>
---------------------------	----------------------------

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 7. Long-Term Liabilities, Continued

General obligation debt service maturities are as follows:

Year Ending June 30,	Governmental activities	
	General Obligation Bonds Series 2014	
	Principal	Interest
2023	\$ 100,000	\$ 4,668
2024	95,329	2,278
Total	<u>\$ 195,329</u>	<u>\$ 6,947</u>

General obligation debt service maturities are as follows:

Year Ending June 30,	Business-type activities	
	Water Revenue Bonds	
	Principal	Interest
2023	\$ 33,000	\$ 6,390
2024	35,000	4,905
2025	36,000	3,330
2026	38,000	1,710
Total	<u>\$ 142,000</u>	<u>\$ 16,335</u>

Annual requirements to amortize notes payable are as follows:

Year Ending June 30,	Notes Payable			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 71,034	\$ 1,616	\$ 27,882	\$ 1,862
2024	10,133	881	15,199	1,321
2025	10,440	574	15,660	860
2026	10,756	257	16,135	386
2027	1,015	14	5,516	21
Total	<u>\$ 103,378</u>	<u>\$ 3,341</u>	<u>\$ 80,393</u>	<u>\$ 4,449</u>

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 8. Interfund Receivables, Payables and Transfers

As of June 30, 2022, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due from	Due to	
	General Fund	Total
Wastewater Fund	\$ 163,809	\$ 163,809
Sanitation Fund	534,066	534,066
Total	<u>\$ 697,875</u>	<u>\$ 697,875</u>

The interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds.

Interfund transfers for the fiscal year ended June 30, 2022 are as follows:

Transfers Out	Transfers In	
	Non Major Funds	Total
General Fund	\$ 68,066	\$ 68,066
Non Major Funds	30,000	30,000
Total	<u>\$ 98,066</u>	<u>\$ 98,066</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9. Pensions and Other Postemployment Benefits

The City contributes to the plans described below. The plans are component units of the State of Arizona. At June 30, 2022, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities
Net pension/OPEB asset	\$ 30,207	\$ 1,268,870	\$ 1,299,077	\$ 1,289,231	\$ 9,846
Net pension/OPEB liabilities	796,207	-	796,207	536,676	259,532
Deferred outflows of resources	227,918	69,069	296,987	222,694	74,294
Deferred inflows of resources	325,424	239,725	565,149	459,073	106,075
Pension/OPEB (income) expense	(10,149)	(141,876)	(152,025)	(126,932)	(25,093)

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

The City reported \$108,357 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to the pension, health insurance premium benefit and long-term disability plans for the year ended June 30, 2022, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2022	\$ 84,411	\$ 1,476	\$ 1,335

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Liability – At June 30, 2022, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 794,943
Health insurance premium benefit	(30,207)
Long-term disability	1,265

The net asset and net liabilities were measured as of June 30, 2021. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent. The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The City's proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2020	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.006520%	0.006050%	-0.000470%
Health insurance premium benefit	0.006610%	0.006200%	-0.000410%
Long-term disability	0.006540%	0.006130%	-0.000410%

Expense – For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 79,610
Health insurance premium benefit	(3,465)
Long-term disability	938

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources – At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,118	\$ -	\$ -	\$ 10,476	\$ 366	\$ 103
Changes of assumptions or other inputs	103,468	-	1,498	1,221	405	1,594
Net difference between projected and actual earnings on pension plan investments	-	251,866	-	11,205	-	876
Changes in proportion and differences between contributions and proportionate share of contributions	22,491	47,786	140	41	210	256
Contributions subsequent to the measurement date	84,411	-	1,476	-	1,335	-
Total	\$ 222,488	\$ 299,652	\$ 3,114	\$ 22,943	\$ 2,316	\$ 2,829

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2023	\$ 524	\$ (4,999)	\$ (248)
2024	(19,780)	(4,790)	(232)
2025	(55,524)	(5,254)	(265)
2026	(86,795)	(5,799)	(397)
2027	-	(463)	(139)
Thereafter	-	-	(567)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012-GLDT for long-term disability
Healthcare cost trend rates	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income-credit	20%	5.20%
Fixed income-interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of			
Net pension liability	\$ 1,250,379	\$ 794,943	\$ 415,236
Net insurance premium benefit liability (asset)	(20,000)	(30,207)	(38,886)
Net long-term disability liability	1,648	1,265	895

Pension plan fiduciary net position – Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Public Safety Personnel Retirement System (PSPRS)

Plan description – The City employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

This section intentionally left blank.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012 and Before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents

Employees covered by benefit terms – At June 30, 2022, the following employees were covered by the agent plans' benefit terms:

PSPRS	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	0	0
Inactive employees entitled to but not yet receiving benefits	4	0
Active employees	3	3
Total	7	3

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members' annual covered payroll.

PSPRS	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS	7.65%	22.28%	0.00%
PSPRS Tier 3 risk pool	9.81%	9.81%	0.13%

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

In addition, statute required the City to contribute at the actuarially determined rate 84.55 percent for police of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

The City's contributions to the plans for the year ended June 30, 2022, were:

PSPRS		
	<u>Pension</u>	<u>Health insurance premium benefit</u>
PSPRS	\$ 33,897	\$ -
PSPRS Tier 3 risk pool	6,564	-

Liability – At June 30, 2022, the City reported the following assets and liabilities:

	<u>Net pension (asset) liability</u>	<u>Net OPEB (asset) liability</u>
PSPRS	\$ (1,185,231)	\$ (83,639)

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Actuarial assumptions – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

PSPRS	
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
U.S. Public Equity	24%	4.08%
International Public Equity	16%	5.20%
Global Private Equity	20%	7.67%
Other Assets	7%	5.43%
Core Bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying Strategies	10%	3.99%
Cash – Mellon	<u>1%</u>	(0.31)%
Total	<u>100%</u>	

Discount Rate –At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

61

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent for police, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.30%)	Discount Rate (7.30%)	1% Increase (8.30%)
PSPRS			
Net pension (asset) / liability	\$ (1,136,798)	\$ (1,185,231)	\$ (1,221,930)
Net OPEB (asset)/ liability	(83,446)	(83,639)	(83,793)

Plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Expense – For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS	\$ (102,009)	\$ (5,668)

Deferred outflows/inflows of resources –At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,191	\$ 73,986	\$ 816	\$ 6,790
Changes in assumptions	2,109	520	56	219
Net difference between projected and actual earnings on pension/OPEB plan investments	-	150,303	-	7,907
Contributions subsequent to the measurement date	33,897	-	-	-
Total	<u>\$ 68,197</u>	<u>\$ 224,809</u>	<u>\$ 872</u>	<u>\$ 14,916</u>

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 9. Pensions and Other Postemployment Benefits, Continued

The amounts reported as deferred outflows of resources related to PSPRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions and OPEB will be recognized in pension expense as follows:

Year Ended June 30,	PSPRS	
	Pension	Health Insurance Premium Benefit
2023	\$ (52,959)	\$ (2,197)
2024	(53,869)	(2,244)
2025	(40,595)	(2,495)
2026	(43,086)	(3,291)
2027	-	(580)
Thereafter	-	(3,237)

Volunteer Firefighters' Relief and Pension

Defined Contribution Plan. The Volunteer Firefighters' Relief and Pension Fund (VFRPF) is a defined contribution plan to provide pensions to volunteer firefighters only. State statute requires that both the employee and the City make contributions equal to five percent of the employees' compensation. Some monies are also received from the State of Arizona. After a volunteer firefighter has 25 years of service, he or she is entitled to a monthly pension, the amount of which is determined by the board of trustees of the VFRPF, not to exceed \$400. Voluntary and involuntary separation from employment entitles the employee (or beneficiary) to all previous deductions from his or her salary plus interest at a rate determined by the Board of Trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service. The payroll for employees covered by VFRPF for the year ended June 30, 2022, was \$64,088. Contributions made for the year ended June 30, 2022, were \$9,738, which consisted of \$3,199 from employees, \$3,199 from the City and \$3,340 from the state fire tax. As of year-end, there were twelve eligible employees participating in the plan.

CITY OF TOMBSTONE, ARIZONA
Notes to the Financial Statements
June 30, 2022

Note 10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City is a member of the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for Arizona municipalities. The City pays an annual premium to AMRRP for its general insurance coverage. The Agreement for Formation of the AMRRP provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims for each insured event.

The City is also a member of the Arizona Municipal Workers Compensation Pool (AMWCP), a public entity risk pool. The pool provides member cities with workers' compensation coverage, as required by law, and risk management services. The City is responsible for paying premiums based on an experience rating formula that allocates pool expenditures and liabilities among the members.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year nor the three prior years.

Note 11. Contingent Liabilities and Significant Commitments

Federal grants: In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by City officials to be material.

Litigation: Each year, the City receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the City arising therefrom. The City has comprehensive general liability insurance with Arizona Municipal Risk Retention Pool. The City is not aware of any litigation that might result in a materially adverse outcome.

Note 12. Restatement of Beginning Net Position

Prior to fiscal year 2022, the City had not reported balances related to the City's Other Post Employment Benefit (OPEB) obligations as these amounts were deemed to be immaterial to the City's financial statements. In fiscal year 2022, an adjustment was made to recognize the net OPEB asset/liability and the related deferred inflows and outflows of resources. This resulted in a restatement of beginning net position of the governmental activities of \$65,794 and a restatement of beginning net position of the business-type activities of \$1,214.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2022

ASRS - Pension	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.006050%	0.006520%	0.006040%	0.005890%	0.006150%	0.006450%	0.0060100%	0.0056170%
Proportionate share of the net pension liability (asset)	\$ 794,943	\$ 1,129,689	\$ 878,890	\$ 821,448	\$ 958,048	\$ 1,041,095	\$ 936,903	\$ 831,166
Covered payroll	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	\$ 593,548	\$ 563,214	\$ 754,551
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	116.88%	162.19%	137.97%	140.26%	161.73%	175.40%	166.35%	110.15%
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.006200%	0.006610%	0.006190%	0.006000%	0.006240%	0.000000%
Proportionate share of the net OPEB (asset)	\$ (30,207)	\$ (4,680)	\$ (1,711)	\$ (2,161)	\$ (3,397)	\$ -
Covered payroll	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	\$ 593,548
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.44%	-0.67%	-0.27%	-0.37%	-0.57%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	98.02%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Proportion of the net OPEB (asset)	0.006130%	0.006540%	0.006130%	0.005910%	0.006170%
Proportionate share of the net OPEB (asset)	\$ 1,265	\$ 4,961	\$ 3,993	\$ 3,088	\$ 2,236
Covered payroll	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.19%	0.71%	0.63%	0.59%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	84.44%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

See accompanying notes to pension/OPEB plan schedules

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2022

PSPRS Police - Pension	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Total pension liability						
Service cost	\$ 46,714	\$ 32,196	\$ 36,716	\$ 28,068	\$ 49,315	\$ 37,106
Interest on total pension liability	25,072	25,518	24,945	22,479	19,211	23,001
Changes of benefit terms	-	-	-	-	1,075	4,697
Difference between expected and actual experience of the total net pension liability	38,542	(70,321)	(48,885)	(34,538)	5,194	(101,482)
Changes of assumptions	-	-	4,235	-	(1,990)	2,913
Benefit payments, including refunds of employee contributions	(16,042)	-	-	(10,725)	(18,395)	-
Other changes	-	(20)	-	-	-	-
Net change in total pension liability	94,286	(12,627)	17,011	5,284	54,410	(33,765)
Total pension liability - beginning	304,765	317,392	300,381	295,097	240,687	274,452
Total pension liability - ending (a)	\$ 399,051	\$ 304,765	\$ 317,392	\$ 300,381	\$ 295,097	\$ 240,687
Plan fiduciary net position						
Contributions - employer	\$ 20,636	\$ 20,309	\$ 16,713	\$ 20,454	\$ 13,386	\$ 16,328
Contributions - employee	25,694	16,309	17,567	25,571	31,190	26,346
Net investment income	343,499	14,902	57,301	69,116	100,201	4,722
Benefit payments, including refunds of employee contributions	(16,042)	-	-	(10,725)	(18,395)	-
Pension Plan Administrative Expense	(1,608)	(1,215)	(1,974)	(1,752)	(1,287)	(1,079)
Other (net transfer)	-	(1,857)	-	13	8,014	(52,074)
Net change in plan fiduciary net position	372,179	48,448	89,607	102,677	133,109	(5,757)
Plan fiduciary net position - beginning	1,212,103	1,163,655	1,074,048	971,371	838,262	844,019
Plan fiduciary net position - ending (b)	\$ 1,584,282	\$ 1,212,103	\$ 1,163,655	\$ 1,074,048	\$ 971,371	\$ 838,262
Net pension liability - ending (a) - (b)	\$ (1,185,231)	\$ (907,338)	\$ (846,263)	\$ (773,667)	\$ (676,274)	\$ (597,575)
Plan fiduciary net position as a percentage of the total pension liability	397.01%	397.72%	366.63%	357.56%	329.17%	348.28%
Covered payroll	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724	\$ 226,150
Net pension liability as a percentage of covered payroll	-960.81%	-643.92%	-561.22%	-536.13%	-252.60%	-264.24%
Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.						

See accompanying notes to pension/OPEB plan schedules

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2022

PSPRS Police-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability					
Service cost	\$ 1,450	\$ 1,070	\$ 851	\$ 765	\$ 964
Interest on total OPEB liability	295	356	305	334	115
Changes of benefit terms	-	-	-	-	1,088
Difference between expected and actual experience of the total net OPEB liability	(3,213)	(2,324)	(761)	(1,967)	1,241
Changes of assumptions or other inputs	-	-	74	-	(329)
Benefit payments	(505)	-	-	-	-
Net change in total OPEB liability	(1,973)	(898)	469	(868)	3,079
Total OPEB liability - beginning	2,839	3,737	3,268	4,136	1,057
Total OPEB liability - ending (a)	\$ 866	\$ 2,839	\$ 3,737	\$ 3,268	\$ 4,136
Plan fiduciary net position					
Contributions - employer	\$ -	\$ -	\$ -	\$ (21)	\$ -
Net investment income	18,404	832	3,376	4,092	6,178
Benefit payments	(505)	-	-	-	-
Administrative expense	(76)	(68)	(58)	(62)	(54)
Other changes	-	-	-	-	-
Net change in plan fiduciary net position	17,823	764	3,318	4,009	6,124
Plan fiduciary net position - beginning	66,682	65,918	62,579	58,570	52,446
Adjustment to beginning of year	-	-	21	-	-
Plan fiduciary net position - ending (b)	\$ 84,505	\$ 66,682	\$ 65,918	\$ 62,579	\$ 58,570
Net OPEB liability - ending (a) - (b)	\$ (83,639)	\$ (63,843)	\$ (62,181)	\$ (59,311)	\$ (54,434)
Plan fiduciary net position as a percentage of the total OPEB liability	9758.08%	2348.78%	1763.93%	1914.90%	1416.10%
Covered payroll	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724
Net OPEB liability as a percentage of covered payroll	-67.80%	-45.31%	-41.24%	-41.10%	-20.33%
Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.					

See accompanying notes to pension/OPEB plan schedules

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2022

ASRS - Pension	Reporting Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 84,411	\$ 79,244	\$ 81,627	\$ 71,218	\$ 63,837	\$ 64,646	\$ 65,502	\$ 60,331
Contributions in relation to the contractually required contribution	\$ (84,411)	\$ (79,244)	\$ (81,627)	\$ (71,218)	\$ (63,837)	\$ (64,646)	\$ (65,502)	\$ (60,331)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	\$ 593,548	\$ 563,214
Contributions as a percentage of covered payroll	10.62%	11.65%	11.72%	11.18%	10.90%	10.91%	11.04% #	10.71%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

ASRS - Health insurance premium benefit	Reporting Fiscal Year					
	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,476	\$ 2,653	\$ 3,454	\$ 2,930	\$ 2,577	\$ 3,358
Contributions in relation to the contractually required contribution	(1,476)	(2,653)	(3,454)	(2,930)	(2,577)	(3,358)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375
Contributions as a percentage of covered payroll	0.19%	0.39%	0.50%	0.46%	0.44%	0.57%

ASRS - Long-term disability	Reporting Fiscal Year					
	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 1,335	\$ 1,224	\$ 1,198	\$ 1,019	\$ 937	\$ 839
Contributions in relation to the contractually required contribution	(1,335)	(1,224)	(1,198)	(1,019)	(937)	(839)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375
Contributions as a percentage of covered payroll	0.17%	0.18%	0.17%	0.16%	0.16%	0.14%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 33,897	\$ 20,636	\$ 20,309	\$ 16,713	\$ 20,454	\$ 13,386	\$ 16,328	\$ 10,686	\$ 13,826
Contributions in relation to the actuarially determined contribution	\$ (33,897)	\$ (20,636)	\$ (20,309)	\$ (16,713)	\$ (20,454)	\$ (13,386)	\$ (16,328)	\$ (10,686)	\$ (13,826)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 152,142	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724	\$ 226,150	\$ 121,307	\$ 209,144
Contributions as a percentage of covered payroll	22.28%	16.73%	14.41%	11.08%	14.17%	5.00%	7.22%	8.81%	6.61%

See accompanying notes to pension/OPEB plan schedules

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2022

	Reporting Fiscal Year				
	2022	2021	2020	2019	2017
PSPRS Police-Health Insurance Premium Benefit					
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 152,142	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	-0.01%
					0.00%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2019 actuarial valuation	17 years for unfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2022

Note 2. Factors that Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2016 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUND:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

CITY OF TOMBSTONE, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 1,095,717	\$ 1,095,717	\$ 1,591,905	\$ 496,188
Property taxes	100,000	100,000	130,265	30,265
Franchise taxes	54,000	54,000	61,673	7,673
Total taxes	<u>1,249,717</u>	<u>1,249,717</u>	<u>1,783,843</u>	<u>534,126</u>
 Fines and forfeitures	37,000	37,000	26,116	(10,884)
Licenses and permits	57,670	57,670	75,020	17,350
Intergovernmental:				
State sales tax	152,992	152,992	184,323	31,331
Auto lieu tax	78,499	78,499	78,085	(414)
Urban revenue sharing	195,714	195,714	197,473	1,759
Other Intergovernmental revenues	1,018,500	1,018,500	353,514	(664,986)
Total intergovernmental	<u>1,445,705</u>	<u>1,445,705</u>	<u>813,395</u>	<u>(632,310)</u>
 Charges for services	265,800	265,800	465,204	199,404
Investment earnings	8,800	8,800	5,051	(3,749)
Other revenues:				
Contributions	312,500	312,500	305,455	(7,045)
Miscellaneous	72,500	72,500	8,999	(63,501)
Total other revenues	<u>659,600</u>	<u>659,600</u>	<u>784,709</u>	<u>125,109</u>
Total revenues	<u>3,449,692</u>	<u>3,449,692</u>	<u>3,483,083</u>	<u>33,391</u>
EXPENDITURES:				
General government				
Governing body	13,079	13,079	11,384	1,695
City hall	344,869	344,869	337,856	7,013
Election board	-	-	97	(97)
Building inspector	70,300	70,300	32,835	37,465
Airport	2,500	2,500	2,379	121
Public buildings	219,445	219,445	228,487	(9,042)
Building renovations	-	-	35,000	(35,000)
Tourism	91,800	91,800	117,692	(25,892)
Boothill donations	185,000	185,000	132,318	52,682
Non-Departmental	192,500	192,500	13,287	179,213
Total general government	<u>1,119,493</u>	<u>1,119,493</u>	<u>911,335</u>	<u>208,158</u>

(Continued)

CITY OF TOMBSTONE, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
Public safety				
Marshal's office	754,549	754,549	684,119	70,430
Fire department	109,153	109,153	185,077	(75,924)
City magistrate	73,503	73,503	71,338	2,165
Total public safety	<u>937,205</u>	<u>937,205</u>	<u>940,534</u>	<u>(3,329)</u>
Health and welfare				
Health and welfare	102,074	102,074	141,610	(39,536)
Senior center rehabilitation	-	-	108,188	(108,188)
Food Bank	6,500	6,500	-	6,500
Total health and welfare	<u>108,574</u>	<u>108,574</u>	<u>249,798</u>	<u>(141,224)</u>
Culture and recreation				
Parks and recreation	30,626	30,626	40,313	(9,687)
Boothill sales	205,000	205,000	338,003	(133,003)
Library	66,100	66,100	61,450	4,650
Total culture and recreation	<u>301,726</u>	<u>301,726</u>	<u>439,766</u>	<u>(138,040)</u>
Capital outlay	<u>1,182,600</u>	<u>1,182,600</u>	<u>173,840</u>	<u>1,008,760</u>
Total capital outlay	<u>1,182,600</u>	<u>1,182,600</u>	<u>173,840</u>	<u>1,008,760</u>
Debt service:				
Principal	58,523	58,523	57,843	680
Interest	6,638	6,638	1,290	5,348
Total debt service	<u>65,161</u>	<u>65,161</u>	<u>59,133</u>	<u>6,028</u>
Total expenditures	<u>3,714,759</u>	<u>3,714,759</u>	<u>2,774,406</u>	<u>940,353</u>
Excess of revenues over (under) expenditures	<u>(265,067)</u>	<u>(265,067)</u>	<u>708,677</u>	<u>973,744</u>
Other financing sources (uses):				
Transfer to other funds	<u>(50,000)</u>	<u>(50,000)</u>	<u>(98,066)</u>	<u>(48,066)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(98,066)</u>	<u>(48,066)</u>
Net change in fund balance	<u>(315,067)</u>	<u>(315,067)</u>	<u>610,611</u>	<u>925,678</u>
Fund balance, beginning of year	<u>1,915,504</u>	<u>1,915,504</u>	<u>1,915,504</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,600,437</u>	<u>\$ 1,600,437</u>	<u>\$ 2,526,115</u>	<u>\$ 925,678</u>

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS AND
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **Court Improvements Fund** is used to account for revenues that are restricted for court improvements.
- The **Community Development Block Grant (CDBG) Fund** is used to account for federal grants that are restricted for specific projects.
- The **Arizona Office of Tourism (AOT) Fund** is used to account for state revenues that are restricted for specific tourism related activities.
- The **Marketing Fund** is used to account for state revenues that are restricted for specific tourism related activities.
- The **Christmas Lights Donations Fund** is used to account for donation revenues and related expenditures for the City's Christmas Lights.
- The **Grant Opportunity Fund** is used to account for federal and state grants and contributions that are restricted for specific use.
- The **Highway User Revenue Fund** is used to account for state tax funds that are restricted to be used on roads, streets, and highways. .

Debt Service Fund

- The **Debt Service Fund** is used to account for secondary property taxes levied specifically for debt service expenditures.

CITY OF TOMBSTONE, ARIZONA
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2022

	Special Revenue Funds			
	Court Improvements	Community Development Block Grant	AOT Grant	Marketing
ASSETS				
Cash and cash equivalents	\$ 9,427	\$ 28,789	\$ -	\$ 84,586
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	-	-	-
Prepays	-	-	-	-
Total assets	<u>\$ 9,427</u>	<u>\$ 28,789</u>	<u>\$ -</u>	<u>\$ 84,586</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepays	-	-	-	-
Restricted for:				
Public safety	9,427	-	-	-
Other	-	-	-	-
Culture and recreation	-	-	-	84,586
Debt service	-	-	-	-
Community development	-	28,789	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	<u>9,427</u>	<u>28,789</u>	<u>-</u>	<u>84,586</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,427</u>	<u>\$ 28,789</u>	<u>\$ -</u>	<u>\$ 84,586</u>

Special Revenue Funds				
Christmas Lights Donations	Grant Opportunity	Highway User Revenue	Debt Service	Total Non-major Funds
\$ 689	\$ 3,548	\$ 11,337	\$ 20,762	\$ 159,138
-	-	-	3,671	3,671
-	-	11,859	-	11,859
-	-	1,921	-	1,921
<u>\$ 689</u>	<u>\$ 3,548</u>	<u>\$ 25,117</u>	<u>\$ 24,433</u>	<u>\$ 176,589</u>
\$ -	\$ -	\$ 24,691	\$ -	\$ 24,691
-	-	426	-	426
<u>-</u>	<u>-</u>	<u>25,117</u>	<u>-</u>	<u>25,117</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	1,921	-	1,921
-	-	-	-	9,427
-	3,548	-	-	3,548
689	-	-	-	85,275
-	-	-	24,433	24,433
-	-	-	-	28,789
-	-	(1,921)	-	(1,921)
<u>689</u>	<u>3,548</u>	<u>-</u>	<u>24,433</u>	<u>151,472</u>
<u>\$ 689</u>	<u>\$ 3,548</u>	<u>\$ 25,117</u>	<u>\$ 24,433</u>	<u>\$ 176,589</u>

CITY OF TOMBSTONE, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds			
	Court	Community	AOT	
	Improvements	Development	Grant	Marketing
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	84,586
Charges for services	1,947	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>84,586</u>
EXPENDITURES				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues				
over (under) expenditures	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>84,586</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>84,586</u>
Fund balances (deficits), beginning of year	<u>7,480</u>	<u>28,789</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ 9,427</u>	<u>\$ 28,789</u>	<u>\$ -</u>	<u>\$ 84,586</u>

Special Revenue Funds				
Christmas Lights Donations	Grant Opportunity	Highway User Revenue	Debt Service	Total Non-major Funds
\$ -	\$ -	\$ -	\$ 112,932	\$ 112,932
-	-	124,127	-	208,713
-	-	-	-	1,947
-	-	557	-	557
-	-	124,684	112,932	324,149
-	-	188,415	-	188,415
-	-	57,905	-	57,905
-	-	30,999	104,671	135,670
-	-	2,604	7,170	9,774
-	-	279,923	111,841	391,764
-	-	(155,239)	1,091	(67,615)
-	-	55,073	-	55,073
-	-	98,066	-	98,066
-	-	153,139	-	153,139
-	-	(2,100)	1,091	85,524
689	3,548	2,100	23,342	65,948
\$ 689	\$ 3,548	\$ -	\$ 24,433	\$ 151,472

CITY OF TOMBSTONE, ARIZONA
COURT IMPROVEMENTS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	5,000	5,000	1,947	(3,053)
Total revenues	5,000	5,000	1,947	(3,053)
EXPENDITURES				
Public safety	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Excess of revenues over (under) expenditures	-	-	1,947	1,947
Net change in fund balances	-	-	1,947	1,947
Fund balance (deficit), beginning of year	-	-	7,480	-
Fund balance (deficit), end of year	\$ -	\$ -	\$ 9,427	\$ 1,947

CITY OF TOMBSTONE, ARIZONA
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ 450,000	\$ 450,000	\$ -	\$ (450,000)
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>(450,000)</u>
EXPENDITURES				
Community development	450,000	450,000	-	450,000
Total expenditures	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Excess of revenues				
over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>28,789</u>	<u>28,789</u>	<u>28,789</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 28,789</u></u>	<u><u>\$ 28,789</u></u>	<u><u>\$ 28,789</u></u>	<u><u>\$ -</u></u>

CITY OF TOMBSTONE, ARIZONA
ARIZONA OFFICE OF TOURISM (AOT) GRANT
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
REVENUES				<u>(Unfavorable)</u>
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues				
over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TOMBSTONE, ARIZONA
MARKETING FUND
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 84,586	\$ 84,586
Total revenues	-	-	84,586	84,586
EXPENDITURES				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	84,586	84,586
Net change in fund balances	-	-	84,586	84,586
Fund balance (deficit), beginning of year	-	-	-	-
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,586</u>	<u>\$ 84,586</u>

CITY OF TOMBSTONE, ARIZONA
CHRISTMAS LIGHT DONATIONS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Contributions	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>
EXPENDITURES				
Culture and recreation	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), beginning of year	<u>689</u>	<u>689</u>	<u>689</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 689</u>	<u>\$ 689</u>	<u>\$ 689</u>	<u>\$ -</u>

CITY OF TOMBSTONE, ARIZONA
GRANT OPPORTUNITY FUND
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ 900,000	\$ 900,000	\$ -	\$ (900,000)
Miscellaneous	100,000	100,000	-	(100,000)
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
EXPENDITURES				
Capital outlay	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>3,548</u>	<u>3,548</u>	<u>3,548</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,548</u>	<u>\$ 3,548</u>	<u>\$ 3,548</u>	<u>\$ -</u>

CITY OF TOMBSTONE, ARIZONA
HIGHWAY USER FUND
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ 117,368	\$ 117,368	\$ 124,127	\$ 6,759
Miscellaneous	-	-	557	557
Total revenues	<u>117,368</u>	<u>117,368</u>	<u>124,684</u>	<u>7,316</u>
EXPENDITURES				
Public works	158,021	158,021	188,415	(30,394)
Capital outlay	10,000	10,000	57,905	(47,905)
Debt service:				
Principal	19,206	19,206	30,999	(11,793)
Interest	2,141	2,141	2,604	(463)
Total expenditures	<u>189,368</u>	<u>189,368</u>	<u>279,923</u>	<u>(90,555)</u>
Excess of revenues over (under) expenditures	<u>(72,000)</u>	<u>(72,000)</u>	<u>(155,239)</u>	<u>(83,239)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	-	55,073	(55,073)
Transfers in	30,000	30,000	98,066	68,066
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>153,139</u>	<u>12,993</u>
Net change in fund balances	<u>(42,000)</u>	<u>(42,000)</u>	<u>(2,100)</u>	<u>(70,246)</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (42,000)</u></u>	<u><u>\$ (42,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (70,246)</u></u>

CITY OF TOMBSTONE, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Secondary property taxes	\$ 115,038	\$ 115,038	\$ 112,932	\$ (2,106)
Total revenues	<u>115,038</u>	<u>115,038</u>	<u>112,932</u>	<u>(2,106)</u>
EXPENDITURES				
Debt service:				
Principal	100,000	100,000	104,671	(4,671)
Interest	<u>15,038</u>	<u>15,038</u>	<u>7,170</u>	<u>7,868</u>
Total expenditures	<u>115,038</u>	<u>115,038</u>	<u>111,841</u>	<u>3,197</u>
Excess of revenues				
over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,091</u>	<u>1,091</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,091</u>	<u>1,091</u>
Fund balance (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>23,342</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,433</u>	<u>\$ 1,091</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

This page intentionally left blank.



**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
City Council
Tombstone, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tombstone, Arizona as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tombstone, Arizona's basic financial statements, and have issued our report thereon dated March 3, 2023

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tombstone, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tombstone, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tombstone, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described in the accompanying letter of findings and recommendations that we consider to be significant deficiencies.

2022-001. Misstatements Identified as a Result of the Audit

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tombstone, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2022-002. Budgetary Compliance

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HintonBurdick, PLLC
HintonBurdick, PLLC
Gilbert, Arizona
March 3, 2023



Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and
City Council
Tombstone, Arizona

We have audited the basic financial statements of the City of Tombstone, Arizona for the year ended June 30, 2022, and have issued our report thereon dated March 3, 2023. Our audit also included test work on the City of Tombstone's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Tombstone is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Tombstone has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Tombstone pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Tombstone complied, in all material respects, with the requirements identified above for the year ended June 30, 2022.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC
HintonBurdick, PLLC
Gilbert, Arizona
March 3, 2023

This page intentionally left blank